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THE MONMOUTH COUNTY FARMERS' EXCHANGE

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Seven years ago some farmer-grangers of Monmouth County, New Jersey—one of the greatest potato producing counties in the United States—rose in rebellion, because, as they later figured it out, they were getting just 41 cents of every dollar the consumer paid for their potatoes. The other 59 cents went to feed and pay the captains and privates in the great army of middlemen that stretched away from the farmer's front gate to the consumer's back door. The expensive system of reaching the consumer, as then practiced in New Jersey, was as follows: The farmer delivered his potatoes to the local buyer at, say, \$1.60 per barrel. This local buyer sold them to a jobber in New York at about 10 cents a barrel in advance. This jobber sold them to a second jobber in Chicago, Cincinnati, or some other city—at an advance of 10 cents or 15 cents a barrel. This second jobber then sold them to a commission merchant in his own town, or one nearby at another advance of 10 cents or 15 cents a barrel. The commission merchant next sold them to the retail grocer at another small advance, and the retail grocer tacked on another 25 per cent to 50 per cent advance before he sold them to the consumer. When to this was added the freight of perhaps 50 cents a barrel, the consumer actually paid over \$3.50 for the same barrel of potatoes for which the farmer got \$1.60. Five sets of dealers handled them and everyone who touched them increased their cost to the consumer without any benefit to the farmer. The farmer had the 41 cents and the consumer had paid his dollar: the system had the other 59 cents.

So the farmer grangers went gunning for that 59 cents. After two years' investigation and agitation among the "doubting Thomases" of the neighborhood, these farmers decided to market their own potatoes. The Monmouth County Farmers' Exchange was chartered on March 3, 1908. The members, i.e., the stockholders, elected fifteen directors who were to choose annually all the officers and employees and be responsible for the successful running of the

exchange. The board of directors chose Mr. W. H. Ingling, formerly a local dealer and buyer, as general manager, and put the active control and responsibility of the entire exchange in his hands. The exchange then opened stations along the Pennsylvania Railroad and the Central Railroad of New Jersey. At each one of these shipping stations they selected some one—some man from the neighborhood, a farmer, a farmer's son, or even a veterinarian—as local agent to receive the potatoes that the members bring in to be sold through the exchange. This agent, whose salary is three cents per barrel handled, inspects and grades them (two grades only). Each day he reports to the central office at Freehold the amount and grade of potatoes brought in by each member, and the number of cars there are for shipment from that station. Meanwhile, the brokers whom the exchange appointed as agents in all towns of any size in the eastern half of the United States, are reporting by wire to the central office prices on potatoes in carload lots in their respective towns. In this way Mr. Ingling gets a snapshot of the market prices for potatoes all over the eastern half of the United States. It then becomes a simple matter of making the contracts in cities where the best price is offered. Mr. Ingling then orders the local agents at the shipping stations to bill the potatoes that have been loaded that day direct to firms in the purchasing cities.

In the old days, these potatoes would have had to move first to New York and the jobber there would have collected his 15 cents a barrel toll. Now the potatoes, moving direct, skip the New York jobber; and the 15 cents a barrel that he used to collect goes to the exchange. Sometimes the perfect system of agents enables the exchange to deal directly with commission merchants in various towns and thus to avoid as well the jobber of those towns and his 10 or 15 cents a barrel toll. In short, the exchange succeeds in reducing the expense of the journey from the farmer's front gate to the consumer's back door by from 15 to 30 cents a barrel, and gets part of the 59 cents it was after. The cheapness of this direct means of reaching the consumer has forced other local buyers of potatoes to adopt the exchange's method, and omit the New York jobber.

At the end of each day, the prices received for all of each grade of potatoes sold by the exchange are averaged and each farmer on the following day receives his check at the average price.

But the value of the exchange does not stop simply with saving

on the cost of marketing. In the old days, nearly all the Monmouth County potatoes were first dumped into New York City. No matter if the potatoes were later reshipped, they were first dumped into New York, and the farmer got New York prices no matter whether they were higher or lower than those of other cities. Now, instead of being subject to the price bondage of one town, Monmouth County farmers choose the best prices each day current in the United States. Before this was the case, a drop in prices was the signal for every farmer to turn the whole family into the potato field to hustle the crop into the market before the bottom went out. Result: the bottom was forced out in a hurry and the farmers received and continued to receive for some time, the prices that go with a glutted market. In this state of affairs, it was not unusual for prices to vary as much as 90 cents a barrel in a season. Now, with the exchange always sending potatoes where they are most needed, a strain on any one market is not apt to occur. If a general glut does threaten the market, the exchange farmer, at the instance of the exchange, backs his potato digger under the shed and leaves his potatoes in the ground. Other buyers follow the exchange's advice and stop buying. With the pressure off, prices quickly rise again. So effective is this steadying influence of the exchange on prices, that it is rare now for the prices received for Monmouth County potatoes to vary more than 20 cents a barrel in a season. Formerly a variation of 20 cents a day was not uncommon.

Of course, all these benefits are benefits primarily for the farmer. The Monmouth County Association scarcely affects the price the consumer pays for the potatoes at all. Why should not the saving go to the farmer? He made the saving. It is not the farmer's fault that the consumer does not stop to reason out his share in the factors that produce "the high cost of living;" does not realize the need for a coöperative association of his own. Through such a consumers' coöperative association, he could deal directly with the Monmouth County Exchange, saving the tolls which now go to the pockets of the commission merchants and the retail grocer. It is not the farmer's fault that the consumer will not open his eyes to the fact that the commission merchant and the retail grocer have been getting the largest slice, over half in fact, of the 59 cents distribution cost. The consumer is too busy blaming the farmer for the high cost of living. It is not the high cost of living from which he is suffering, but the high cost of stupid living.

As a matter of fact, the farmers of Monmouth County are today showing the consumer how a consumers' coöperative society should be run. They were tired of buying fertilizer from companies whose watered stock and expensive sales departments added just so much to the price without any extra value to the fertilizer. So the exchange, although still primarily a selling agent, has turned buyer, and now annually buys and mixes for its members over \$125,000 worth of fertilizer for its three plants—Freehold, Marlboro and Hightstown.

Although the Monmouth County potato is responsible for the existence of the Monmouth County Exchange, the business of the association does not now stop with the business of the potato and fertilizer, but includes any minor buying or selling which will be of value to the members. The exchange sells his hay, his rye, his corn, or his asparagus; it buys his paris green and his lime and it scours Maine and New York for seed potatoes free from scab and rot.

The exchange has grown until it now has 30 shipping stations scattered through an area 50 miles long and 8 miles wide along the Pennsylvania Railroad and the Central Railroad of New Jersey. Its capital stock is now over \$75,000. The 1,250 members, including half of the farmers of Monmouth County, represent the best citizens of the community. Today the farmers who are non-members are apt to be the type of man who comes to the church fair in a collarless shirt and a grouch. The members come in automobiles and are on the committee in charge. Many, even of the non-members, admit that the exchange is a good thing for the community. Membership has become such a privilege that now the exchange will sell only one share to one person. The annual business amounts to a little over \$1,000,000. A surplus of \$26,000 has been piled up in four years of business; during which time the exchange, in marketing potatoes, has charged rates varying from 5 per cent on \$1.50 when potatoes were \$1.50 a barrel or less, to 5 per cent on \$2 when they brought \$2 or over. The directors expect to let this accumulate until it will be unnecessary for the exchange to borrow during the winter on the personal note of the directors in order to carry through the fertilizer business. After that, as fast as the surplus accumulates, it will be divided among the members in proportion to the amount of business they bring to the exchange.

An institution that markets cheaply by marketing directly, that gets top prices and averts glut by distributing the produce where it is needed, that buys better fertilizer for the farmer than he can buy for himself, that has yet to be accused of dishonesty—in short, an institution whose efficiency profits the farmer rather than the consumer—such is the Monmouth County Farmers' Exchange.